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# CATO's O'Driscoll: Bernanke's Fed Isn't Independent of White House

By: Dan Weil – March 1, 2013

The notion of Federal Reserve independence is a myth, and that's clearly illustrated by the relationship of Ben Bernanke's Fed with the White House, says Gerald O'Driscoll, a senior fellow at the Cato Institute.

"It is difficult to portray the Fed under Chairman Ben Bernanke as operating independently in any meaningful sense," he writes in The Wall Street Journal.

For example, the Fed is acting as the government's creditor, snapping up 77 percent of new Treasurys in 2011, says O'Driscoll, a former Dallas Fed vice president.
"With his long-term commitment to ultra-low interest rates, Mr. Bernanke has hitched monetary policy to the fiscal policy of the Obama administration in a bid to inflate asset prices," he writes.

"That is the opposite of what is supposed to be central bank independence — and places the Fed closer to a presidential administration than it has been since the days of [Fed Chairman Arthur] Burns and [President Richard] Nixon."

The Fed supposedly became independent in a 1951 agreement with the Treasury. But since then, "the bank has acted independently at times — but at other times its actions have been anything but independent of the other branches of government," O'Driscoll notes.

"A central bank is necessary as long as an economy is wedded to a fiat currency," he explains. "And it may at times behave independently — but not in the face of large-scale budget deficits, as we have today."

Whatever the Fed's relationship with the Obama administration, experts say it would be unwise to expect a quick finish to the central bank's quantitative easing, even though some Fed officials have indicated a desire for curtailing the program.

"The reality is that the main voting members of the Fed are not going to be willing to end quantitative easing until there are real signs of economic growth," Elliott Gue, editor of two Street Authority newsletters, tells Newsmax TV in an exclusive interview.

"It's unrealistic to think that the Fed is going to make major changes to its quantitative easing program until sometime in the middle of 2014."